

# **Employees' Retirement System of Milwaukee County**

## **Monthly Update**

**February 28, 2009**



## Market Values

February 28, 2009

Asset Class	Investment Manager	Market Values	Allocation	Target
Core Fixed Income	J.P. Morgan	\$110,005,660	10.2%	11.0%
Core Fixed Income	Mellon Capital	\$293,966,827	27.2%	12.0%
Core Fixed Income	Loomis	\$83,165,214	7.7%	12.0%
High Yield Fixed Income	Loomis	<u>\$89,866,811</u>	<u>8.3%</u>	<u>7.0%</u>
<b>Total Fixed Income</b>		<b>\$577,004,512</b>	<b>53.5%</b>	<b>42.0%</b>
Large-Cap Core Equity	Mellon Capital	\$55,314,573	5.1%	6.0%
Large-Cap Value Equity	Boston Partners	\$68,597,702	6.4%	9.0%
Large-Cap Growth Equity	Mellon Capital	\$43,907,380	4.1%	6.0%
Mid-Cap Core Equity	Reinhart Partners	\$13,172,050	1.2%	1.5%
Mid-Cap Core Equity	Earnest Partners	\$12,426,650	1.2%	1.5%
Mid-Cap Value Equity	Artisan Partners	\$13,663,587	1.3%	1.5%
Mid-Cap Growth Equity	Artisan Partners	\$13,560,145	1.3%	1.5%
Small-Cap Value Equity	AQR	\$18,400,537	1.7%	2.5%
Small-Cap Growth Equity	Westfield	<u>\$22,420,143</u>	<u>2.1%</u>	<u>2.5%</u>
<b>Total U.S. Equity</b>		<b>\$261,462,767</b>	<b>24.2%</b>	<b>32.0%</b>
International Core	Baring	\$49,704,576	4.6%	5.0%
International Value	GMO Large Cap Value	\$63,852,686	5.9%	5.0%
International Small Core	Capital Guardian	\$25,469,760	2.4%	5.0%
Emerging Markets	GMO Emerging Markets	<u>\$1,729,297</u>	<u>0.2%</u>	<u>5.0%</u>
<b>Total International Equity</b>		<b>\$140,756,319</b>	<b>13.0%</b>	<b>20.0%</b>
Real Estate REIT	ING Clarion	<u>\$23,979,800</u>	<u>2.2%</u>	<u>3.0%</u>
<b>Total Real Estate</b>		<b>\$23,979,800</b>	<b>2.2%</b>	<b>3.0%</b>
Private Equity FoFs Diversified	Progress	\$471,713 <sup>1</sup>	0.0%	---
Private Equity FoFs Diversified	Adams Street - Combined	<u>\$17,756,313</u> <sup>1</sup>	<u>1.6%</u>	---
<b>Total Private Equity</b>		<b>\$18,228,026</b>	<b>1.7%</b>	<b>3.0%</b>
Cash Short-Term	Active Reserve	\$43,009,911	4.0%	---
Cash Short-Term	Cash	<u>\$14,351,896</u>	<u>1.3%</u>	---
<b>Total Cash Equivalents</b>		<b>\$57,361,807</b>	<b>5.3%</b>	<b>0.0%</b>
<b>TOTAL PORTFOLIO</b>		<b><u>\$1,078,793,231</u></b>	<b><u>100.0%</u></b>	<b><u>100.0%</u></b>

<sup>1</sup>As of 12/31/08

## Current Asset Allocation vs. Policy

Asset Class	% of Assets	Policy Target	Difference	Target Range
Fixed Income	53.5%	42.0%	11.5%	37%-47%
Domestic Equity	24.2%	32.0%	-7.8%	33%-43%
International Equity	13.0%	20.0%	-7.0%	15%-25%
Real Estate	2.2%	3.0%	-0.8%	0%-8%
Private Equity	1.7%	3.0%	-1.3%	0%-8%
Cash/Other	<u>5.3%</u>	<u>0.0%</u>	5.3%	
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>		

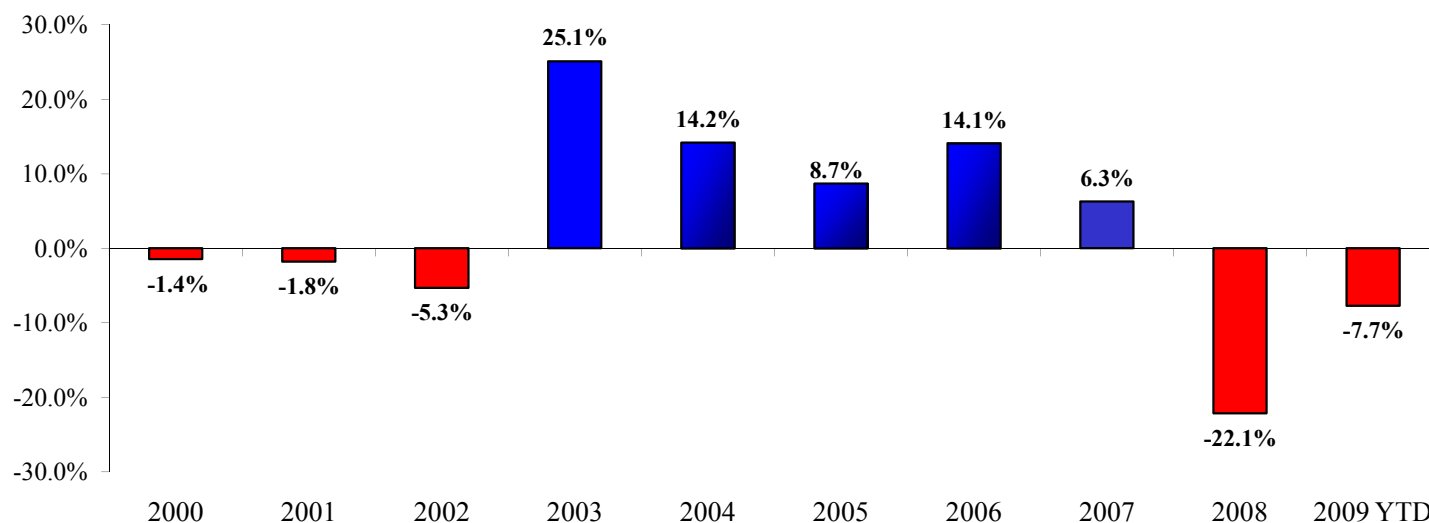
# Annualized Performance (Gross of Fees)

February 28, 2009

	Mth.	YTD	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
<b>Total Fund Composite</b>	<b>-4.6%</b>	<b>-7.7%</b>	<b>-25.2%</b>	<b>-13.3%</b>	<b>-5.6%</b>	<b>-1.5%</b>	<b>0.8%</b>	<b>3.8%</b>	<b>3.9%</b>
<b>Benchmark</b>									
Policy Benchmark <sup>1</sup>	-6.5%	-11.2%	-30.0%	-16.0%	-7.5%	-3.6%	-1.3%	1.6%	1.7%
Actuarial Rate of Return	---	---	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
<b>Total Fixed Income Composite</b>	<b>-0.8%</b>	<b>-0.4%</b>	<b>-3.2%</b>	<b>1.2%</b>	<b>3.1%</b>	<b>3.2%</b>	<b>3.7%</b>	<b>5.8%</b>	<b>6.2%</b>
<b>Benchmark</b>									
BarCap Aggregate	-0.4%	-1.3%	2.1%	4.7%	4.9%	4.4%	4.0%	4.9%	5.6%
<b>Total Domestic Equity Composite</b>	<b>-9.9%</b>	<b>-16.5%</b>	<b>-42.0%</b>	<b>-25.4%</b>	<b>-15.0%</b>	<b>-8.7%</b>	<b>-5.2%</b>	<b>-2.1%</b>	<b>-1.0%</b>
<b>Benchmark</b>									
Wilshire 5000	-10.4%	-17.7%	-43.3%	-26.3%	-15.2%	-9.4%	-6.1%	-2.9%	-2.5%
<b>Total International Equity Composite</b>	<b>-8.9%</b>	<b>-16.6%</b>	<b>-39.3%</b>	<b>-21.9%</b>	<b>-12.0%</b>	<b>-6.5%</b>	<b>-3.3%</b>	<b>0.7%</b>	<b>1.8%</b>
<b>Benchmark</b>									
MSCI EAFE	-10.2%	-19.0%	-49.9%	-28.8%	-14.9%	-7.7%	-2.8%	1.4%	-0.7%
<b>Total Real Estate Composite</b>	<b>-16.5%</b>	<b>-26.2%</b>	<b>-52.0%</b>	<b>-39.7%</b>	<b>-21.5%</b>	<b>-10.3%</b>	<b>-5.2%</b>	<b>1.8%</b>	<b>5.1%</b>
<b>Benchmark</b>									
NAREIT Equity	-20.8%	-34.5%	-57.3%	-43.1%	-24.8%	-13.8%	-8.4%	-0.7%	3.4%

<sup>1</sup>From October 1, 2008 through Present: the benchmark Index consists of: 20% S&P 500 Index, 14% Wilshire 4500 Index, 16% MSCI EAFE Index, 4% MSCI Emerging Markets, 35% BarCap Aggregate Index, 7% BarCap High-Yield Index, 1% 90-Day Treasury Bills, and 3% NAREIT Equity.

## Fiscal Year Performance



# Annualized Performance (Gross of Fees)

February 28, 2009

	Mth.	YTD	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
<b>Fixed Income - Core</b>									
J.P. Morgan	-0.7%	-1.0%	0.8%	4.3%	4.8%	---	---	---	---
Mellon Capital	-0.4%	-1.2%	2.4%	4.9%	5.1%	4.5%	4.1%	5.0%	5.7%
Loomis	-1.7%	-2.7%	-10.9%	-2.8%	0.8%	1.4%	2.3%	5.5%	6.4%
<b>Benchmarks</b>									
BarCap Aggregate	-0.4%	-1.3%	2.1%	4.7%	4.9%	4.4%	4.0%	4.9%	5.6%
<b>Fixed Income - High Yield</b>									
Loomis	-1.4%	5.3%	-17.3%	-9.8%	-3.7%	-1.5%	1.2%	6.2%	5.9%
<b>Benchmarks</b>									
BarCap High Yield	-3.1%	2.7%	-22.1%	-13.2%	-5.5%	-3.2%	-0.6%	3.4%	2.4%
<b>Large-Cap Core Equity</b>									
Mellon Capital	-10.6%	-18.1%	-43.3%	-26.0%	-15.0%	-9.7%	-6.6%	-3.8%	-3.4%
<b>Benchmarks</b>									
S&P 500	-10.7%	-18.2%	-43.3%	-26.1%	-15.1%	-9.8%	-6.6%	-3.8%	-3.4%
<b>Large-Cap Value Equity</b>									
Boston Partners	-12.1%	-19.4%	-40.8%	-24.4%	-13.0%	-6.8%	-3.2%	-0.9%	2.4%
<b>Benchmarks</b>									
Russell 1000 Value	-13.4%	-23.3%	-47.4%	-30.4%	-17.3%	-11.2%	-6.7%	-2.9%	-1.2%
<b>Large-Cap Growth Equity</b>									
Mellon Capital	-7.5%	-12.0%	-40.0%	-22.4%	-13.3%	-8.1%	-6.3%	-4.3%	-5.5%
<b>Benchmarks</b>									
Russell 1000 Growth	-7.5%	-12.0%	-40.0%	-22.4%	-13.3%	-8.1%	-6.3%	-4.3%	-5.6%
<b>Mid-Cap Core Equity</b>									
Reinhart Partners	-4.6%	-8.0%	-38.7%	-23.5%	-11.5%	---	---	---	---
Earnest Partners	-9.4%	-15.3%	-45.6%	-26.5%	-16.6%	---	---	---	---
<b>Benchmarks</b>									
Russell MidCap	-10.0%	-16.6%	-46.6%	-29.4%	-17.3%	-9.7%	-5.2%	-0.6%	1.7%
<b>Mid-Cap Value Equity</b>									
Artisan Partners	-8.1%	-15.1%	---	---	---	---	---	---	---
<b>Benchmarks</b>									
Russell MidCap Value	-12.5%	-21.5%	-47.7%	-32.2%	-18.4%	-10.6%	-5.4%	-0.4%	2.4%
<b>Mid-Cap Growth Equity</b>									
Artisan Partners	-5.1%	-9.2%	-41.8%	-21.0%	-12.7%	-6.0%	-3.5%	-0.3%	---
<b>Benchmarks</b>									
Russell MidCap Growth	-7.6%	-11.8%	-45.8%	-27.3%	-16.7%	-9.2%	-5.7%	-1.7%	-1.2%
<b>Small-Cap Value Equity</b>									
AQR	-13.8%	-26.4%	-48.7%	-33.6%	---	---	---	---	---
<b>Benchmarks</b>									
Russell 2000 Value	-13.9%	-26.2%	-43.0%	-31.3%	-18.6%	-11.1%	-6.6%	-0.7%	3.9%
<b>Small-Cap Growth Equity</b>									
Westfield	-9.2%	-12.1%	-40.0%	-23.2%	-15.1%	-7.1%	-5.1%	-0.4%	---
<b>Benchmarks</b>									
Russell 2000 Growth	-10.4%	-17.2%	-41.9%	-26.7%	-17.3%	-9.7%	-6.7%	-2.4%	-2.1%

# Annualized Performance (Gross of Fees)

February 28, 2009

	Mth.	YTD	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year
<b>International Large-Cap Equity</b>									
Baring	-7.2%	-12.5%	-48.0%	---	---	---	---	---	---
GMO Large Cap Value	-11.1%	-21.8%	-48.0%	-28.2%	-14.7%	-7.4%	-2.0%	4.4%	3.4%
<b>Benchmarks</b>									
MSCI EAFE	-10.2%	-19.0%	-49.9%	-28.8%	-14.9%	-7.7%	-2.8%	1.4%	-0.7%
<b>International Small-Cap Equity</b>									
Capital Guardian	-6.6%	-10.0%	-54.2%	-33.3%	-19.3%	-6.9%	-0.9%	5.2%	3.4%
<b>Benchmarks</b>									
Citigroup ex. US <\$2 Billion	-8.0%	-13.4%	-53.4%	-30.3%	-16.3%	-7.4%	-1.2%	6.1%	3.7%
<b>International Emerging Markets Equity</b>									
GMO Emerging Markets	-7.1%	-14.3%	---	---	---	---	---	---	---
<b>Benchmarks</b>									
MSCI Emerging Markets	-5.7%	-12.0%	-57.2%	-25.3%	-13.9%	-4.0%	0.9%	6.0%	5.4%
<b>Real Estate - Equity</b>									
ING Clarion	-16.5%	-26.2%	-52.0%	-39.7%	-21.5%	-10.3%	-5.2%	1.8%	5.3%
<b>Benchmarks</b>									
NAREIT Equity	-20.8%	-34.5%	-57.3%	-43.1%	-24.8%	-13.8%	-8.4%	-0.7%	3.4%

Signifies Outperformance or In-Line Performance of Benchmark

**Estimated Annual Investment Management Fees**  
**based on January 31, 2009 reported Market Values**

<b>Asset Class</b>	<b>Investment Manager</b>	<b>Fee Schedule</b>	<b>Expense Ratio &amp; Estimated Annual Fee <sup>1</sup></b>	<b>Industry Average <sup>2</sup></b>
Core Fixed Income	J.P. Morgan	0.20% on the first \$100 million 0.15% on the Balance	0.20% \$215,008	0.27%
Core Fixed Income Large-Cap Core Equity Large-Cap Growth Equity	Mellon Capital (Combined)	0.05% on the first \$50 million 0.04% on the next \$50 million 0.02% on the next \$400 million	0.03% \$103,638	0.06%
Core Fixed Income	Loomis	0.20% on the first \$10 million 0.10% on the Balance	0.11% \$93,165	0.27%
High Yield Fixed Income	Loomis	0.20% on the first \$10 million 0.10% on the Balance	0.11% \$99,867	0.48%
Large-Cap Value Equity	Boston Partners	0.40% on the first \$15 million 0.30% on the next \$25 million 0.20% on the next \$25 million 0.15% on the next \$35 million 0.10% on the Balance	0.28% \$190,397	0.51%
Mid-Cap Core Equity	Reinhart Partners	0.60% on the first \$25 million 0.50% on the next \$25 million 0.40% on the Balance	0.60% \$79,032	0.73%
Mid-Cap Core Equity	Earnest Partners	1.00% on the first \$10 million 0.75% on the next \$15 million 0.60% on the next \$25 million 0.50% on the Balance	0.95% \$118,200	0.73%
Mid-Cap Value Equity	Artisan Partners	0.80% on the first \$50 million 0.60% on the next \$50 million 0.50% on the Balance	0.80% \$109,309	0.72%
Mid-Cap Growth Equity	Artisan Partners	0.80% on the first \$50 million 0.60% on the next \$50 million 0.50% on the Balance	0.80% \$108,481	0.80%
Small-Cap Value Equity	AQR	1.00% on the first \$100 million 0.80% on the Balance	1.00% \$184,005	0.94%
Small-Cap Growth Equity	Westfield	1.00% on the first \$25 million 0.75% on the next \$50 million 0.60% on the Balance	1.00% \$224,201	0.98%
International Core	Baring	0.75% on the Balance	0.75% \$372,784	0.85%
International Value	GMO Large Cap Value	0.59% on the Balance	0.59% \$376,731	0.73%
International Small Core	Capital Guardian	0.70% on the first \$25 million 0.75% on the next \$25 million 0.425% on the next \$200 million 0.375% on the Balance	0.70% \$178,523	0.95%
Emerging Markets	GMO Emerging Markets	1.09% on the Balance	1.09% \$18,849	1.00%
Real Estate REIT	ING Clarion	0.65% on the first \$50 million 0.60% on the next \$50 million 0.55% on the next \$50 million 0.50% on the next \$50 million 0.45% on the next \$50 million 0.40% on the Balance	0.65% \$155,869	0.72%

<b>Total Investment Management Fees</b>			<b>0.24%</b>	<b>0.40%</b>
			<b>\$2,628,060</b>	
Custodian	BNY Mellon	\$50,000 Annual Fee	0.01%	
			\$50,000	
<b>Total Fund</b>			<b>0.25%</b>	
			<b>\$2,678,060</b>	

<sup>1</sup> Expense Ratio & Estimated Annual Fee are Based on Market Value at Quarter End.

<sup>2</sup> Source: 2005 Marquette Associates Investment Management Fee Study.

---

## Glossary

---

**Alpha** measures nonsystematic return, or the return of the manager that cannot be attributed to the market. It can be thought of as how the manager performed if the market has no gain or loss. Marquette calculates alpha as the annualized y-intercept of the best fit line based on the ordinary least squares regression, using the market's quarterly return less the risk-free rate as the independent variable and the manager's quarterly return less the risk-free rate as the dependent variable. Marquette uses the 90-day T-Bill returns as the risk-free rate.

**Beta** measures the volatility of the manager. It is a measure of systematic risk, or the manager return attributable to market movements. A beta equal to 1.0 indicates a volatility level equivalent to the market. Higher betas are associated with higher volatility levels, while lower betas are associated with lower volatility levels. Marquette calculates beta as the covariance (correlation of two assets multiplied by their standard deviation) divided by the variance (standard deviation squared) of the market.

**Credit Ratings** are a method of evaluating the possibility of default by a bond issuer. Marquette uses ratings issued by Moody's Investors Service with the following ratings:

Aaa	Highest Quality
Aa	High Grade, High Quality
A	Upper Medium Grade
Baa	Medium Grade
Ba	Non-Investment Grade
B	Speculative
Caa	Poor to Default
Ca	Highest Speculation
C	May Be in Default

Moody's uses the numerical modifiers 1 (highest), 2, and 3 in the range from Aa1 through Ca3.

**Equity yield** measures the annual return of the portfolio attributable to dividends. It is determined by dividing the total amount of annual dividends per total shares by the average market price of the total stocks in the portfolio.

**Market capitalization** is the value of a corporation as determined by the market price of its issued and outstanding common stock. It is calculated by multiplying the number of outstanding shares by the current market price of a share.

**Modified Duration** is the ratio of Macaulay duration to  $(1 + y)$ , where  $y$  = the bond yield. Modified duration is inversely related to the approximate percentage change in price for a given change in yield.

**Net of Fees** calculations are an estimate of the performance of the total fund and individual managers after taking into account management fees. The estimate is calculated by subtracting the current estimated annual expense ratio from the historical gross of fee returns.

**Price-to-Book Ratio** is a measure of relative value measuring the weighted average of the individual portfolio's Price/Book ratios. The ratio is calculated by dividing the price of a stock by the book value of the company. Low Price/Book ratios are associated with value stocks and vice versa



---

## Glossary

---

**Price-to-Earnings Ratio** is a measure of relative value measuring the weighted average of the individual portfolio's Price/Earnings ratios. The ratio is calculated by dividing the price of a stock by the last twelve months' earnings of the company. Low Price/Earnings ratios are associated with value stocks and vice versa.

**R-Squared** measures how closely the manager's returns track the benchmark. The closer the R-squared statistic is to 1.0, the more closely related the manager's returns are to the benchmark. A higher R-squared also increases the reliability of alpha and beta.

**Sharpe Ratio** measures the excess return per unit of risk. The higher the ratio, the more efficient the manager. It is the average return of the manager minus the risk-free rate, divided by the standard deviation of the differences of the two return streams.

**Trading Effect** assesses the total performance caused by cash flows into and out of the portfolio, in addition to all purchases and sales of securities during the quarter. This effect is calculated by subtracting the buy and hold equity return of the portfolio from the actual equity return of the portfolio for the quarter.

**Yield to Worst** is computed by using the lower of either the yield to maturity or the yield to call on every possible call date.

*The sources of information used in this report are believed to be reliable. Marquette has not independently verified all of the information contained herein.*

*This report has been prepared and presented in compliance with the IMCA Performance Reporting Standards. It meets the mandatory requirements of those standards. IMCA has not been involved with the preparation or review of the report.*